

**REPORT OF THE AUDIT OF THE
FORMER WHITLEY COUNTY
SHERIFF**

**For The Period January 1, 2002
Through January 5, 2003**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Michael Patrick, Whitley County Judge/Executive
Honorable Ancil Carter, Former Whitley County Sheriff
Honorable Lawrence Hodge, Whitley County Sheriff
Members of the Whitley County Fiscal Court

The enclosed report prepared by Carpenter, Mountjoy & Bressler, P.S.C., Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the former Sheriff of Whitley County, Kentucky, for the period January 1, 2002 through January 5, 2003.

We engaged Carpenter, Mountjoy & Bressler, P.S.C. to perform the financial audit of this statement. We worked closely with the firm during our report review process; Carpenter, Mountjoy & Bressler, P.S.C. evaluated the former Whitley County Sheriff's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER WHITLEY COUNTY SHERIFF

**For The Period January 1, 2002
Through January 5, 2003**

Carpenter, Mountjoy & Bressler, PSC has completed the former Whitley County Sheriff's audit for the period January 1, 2002 through January 5, 2003. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

Excess fees increased by \$8,596 from the prior calendar year, resulting in excess fees of \$10,383 as of January 5, 2003. Revenues decreased by \$11,450 from the prior year and disbursements decreased by \$20,046.

Report Comments:

- The Former Sheriff Did Not Make Settlement With The Fiscal Court
- The Former Sheriff Did Not Publish Annual Financial Statements

Deposits:

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.

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Carpenter, Mountjoy & Bressler

Certified Public Accountants and Consultants

To the People of Kentucky

Honorable Ernie Fletcher, Governor

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Honorable Ancil Carter, Former Whitley County Sheriff

Honorable Lawrence Hodge, Whitley County Sheriff

Members of the Whitley County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the former County Sheriff of Whitley County, Kentucky, for the period January 1, 2002 through January 5, 2003. This financial statement is the responsibility of the former Whitley County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the former County Sheriff for the period January 1, 2002 through January 5, 2003, in conformity with the modified cash basis of accounting.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Michael Patrick, Whitley County Judge/Executive
Honorable Ancil Carter, Former Whitley County Sheriff
Honorable Lawrence Hodge, Whitley County Sheriff
Members of the Whitley County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated December 1, 2003, on our consideration of the former County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Former Sheriff Did Not Make Settlement With The Fiscal Court
- The Former Sheriff Did Not Publish Annual Financial Statements

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler PSC

Audit fieldwork completed -
December 1, 2003

WHITLEY COUNTY
 ANCIL CARTER, FORMER COUNTY SHERIFF
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

For The Period January 1, 2002 Through January 5, 2003

Federal Grants		\$	1,775	
State - Kentucky Law Enforcement Foundation Program Fund				19,455
State Fees For Services:				
Fines/Fees Collected	\$	13,553		
Prisoner Conveyance		7,750		
Transporting Fugitives		107		
Sheriff's Court Security Service		<u>8,252</u>		29,662
Circuit Court Clerk:				
Sheriff's Court Security Service				10,894
Fiscal Court				
Payroll Contributions	\$	45,653		
Election Commission		400		
Transporting Prisoners		<u>2,975</u>		49,028
County Clerk - Delinquent Taxes				5,005
Commission On Taxes Collected				192,581
Fees Collected For Services:				
Auto Inspections	\$	9,165		
Accident and Police Reports		108		
Serving Papers		12,095		
Carrying Concealed Deadly Weapon Permits		<u>13,335</u>		34,703
Other:				
10% Add-On Fees Collected	\$	15,695		
Advertising Fees Collected		564		
Reimbursement for School Deputy		24,300		
Insurance Claims		2,614		
Miscellaneous		52		
Transporting Mental Patients		5,331		
Execution Orders		<u>14,940</u>		63,496

The accompanying notes are an integral part of this financial statement.

WHITLEY COUNTY
 ANCIL CARTER, FORMER COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through January 5, 2003
 (Continued)

Interest Earned		\$	2,132
Borrowed Money:			
State Advancement	\$	80,000	
Bank Note		35,000	115,000
			<hr/>
Total Receipts		\$	523,731
			<hr/>
<u>Disbursements</u>			
Operating Disbursements and Capital Outlay:			
Personnel Services-			
Deputies' Salaries	\$	234,701	
KLEFPF Gross Salaries		16,732	
Employee Benefits:			
Employer's Share Social Security		2,542	
Materials and Supplies-			
Office Materials and Supplies		3,919	
Uniforms		819	
Auto Expense-			
Gasoline		8,882	
Maintenance and Repairs		12,176	
Other Charges-			
Copier Maintenance		771	
Advertising		284	
Dues		638	
Postage		2,510	
Cellular Telephone		1,244	
Bonds		761	
Carrying Concealed Deadly Weapon Permits		12,465	
Summons - Other Counties		40	
Storage Rental		1,320	
Execution Orders		14,422	
Transport Costs		5,820	
Prisoner - Blood Kit		50	

The accompanying notes are an integral part of this financial statement.

WHITLEY COUNTY
 ANCIL CARTER, FORMER, COUNTY SHERIFF
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 For The Period January 1, 2002 Through January 5, 2003
 (Continued)

Jurors - Food	\$	52	
Bank Charges		387	
Returned Check Not Collected		365	
Miscellaneous Expenses		1,253	
Capital Outlay-			
Camera Equipment		153	
Postage Equipment		206	
			\$ 322,512
Debt Service:			
State Advancement	\$	80,000	
Notes		35,000	
Interest		1,719	
			116,719
Total Disbursements			\$ 439,231
Net Receipts			\$ 84,500
Less: Statutory Maximum			71,152
Excess Fees			\$ 13,348
Less: Training Incentive Benefit			2,965
Excess Fees Due County as of January 5, 2003			\$ 10,383

The accompanying notes are an integral part of this financial statement.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT

January 5, 2003

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at January 5, 2003.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.41 percent for the first six months of the year and 6.34 percent for the last six months of the year. Hazardous covered employees are required to contribute 8.0 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

WHITLEY COUNTY
NOTES TO FINANCIAL STATEMENT
January 5, 2003
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, and (c) an official record of the depository institution. These requirements were met, and as of January 5, 2003, the former Sheriff's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the former Sheriff's agent in the former Sheriff's name, or provided surety bond which named the former Sheriff as beneficiary/obligee on the bond.

Note 4. Note Payable

The Office of the former County Sheriff entered into a promissory note, dated January 1, 2002 in the amount of \$35,000, which was due January 1, 2003. The former Sheriff's office repaid \$36,719 in principal and interest during calendar year 2002. There was not a remaining balance as of January 6, 2003.

Note 5. Drug Account

During 2002, the former Sheriff maintained a drug and alcohol fund. This fund was established in October 1999. As of January 6, 2001, the fund had a balance of \$447. Receipts for calendar year 2002 totaled \$10,589, and disbursements totaled \$9,973. As of January 6, 2003, the balance in the drug account is \$1,063. This fund is not to be included in excess fees due to its intended purpose.

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COMMENTS AND RECOMMENDATIONS

WHITLEY COUNTY
ANCIL CARTER, FORMER COUNTY SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period January 1, 2002 Through January 5, 2003

STATE LAWS AND REGULATIONS:

The Former Sheriff Did Not Make Settlement With The Fiscal Court

Pursuant to KRS 64.830 and KRS 134.310, the former Sheriff should have made a complete and final settlement with the fiscal court by March 15 immediately following the expiration of his term of office. As of the end of fieldwork, no settlement has been presented to the fiscal court. We recommend that the former Sheriff present the audited financial statement to the fiscal court.

Former County Sheriff Ancil Carter's Response: No response.

The Former Sheriff Did Not Publish Annual Financial Statements

Pursuant to KRS 424.220(6) and (8), the former Sheriff should publish an annual settlement within 60 days of the close of the calendar year. As of the end of fieldwork, the settlement had not been published. We recommend that the former Sheriff publish the settlement as required by KRS 424.220.

Former County Sheriff Ancil Carter's Response: Will publish.

INTERNAL CONTROL - REPORTABLE CONDITIONS & MATERIAL WEAKNESS:

None.

PRIOR YEAR:

- The Sheriff Should Annually Present A Statement Of Receipts And Disbursements To The Fiscal Court
- The Sheriff Should Publish The Annual Financial Statement Within A Timely Manner
- The Sheriff Should Report Accurate And Consistent Information To The County Judge/Executive's Office For Payroll Purposes

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Certified Public Accountants and Consultants

The Honorable Michael Patrick, Whitley County Judge/Executive
The Honorable Ancil Carter, Former Whitley County Sheriff
The Honorable Lawrence Hodge, Whitley County Sheriff
Members of the Whitley County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of receipts, disbursements, and excess fees of the former Whitley County Sheriff for the period January 1, 2002 through January 5, 2003, and have issued our report thereon dated December 1, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the former Whitley County Sheriff's financial statement for the period January 1, 2002 through January 5, 2003, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations.

- The Former Sheriff Did Not Make Settlement With The Fiscal Court
- The Former Sheriff Did Not Publish Annual Financial Statements

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Whitley County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink that reads "Carpenter, Mountjoy & Bressler, PSC". The signature is written in a cursive, flowing style.

Carpenter, Mountjoy & Bressler PSC

Audit fieldwork completed -
December 1, 2003

